

NOTES and COMMENTS

The Ratio of Unemployment Rates and Fair Employment: A Reply to John Bradley

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John Bradley's comments on *Evaluation of the Ratio of Unemployment Rates as an Indicator of Fair Employment* (Gudgin and Breen, 1996; henceforth G&B) reveal a thoroughgoing confusion about the debate to which the study seeks to contribute, the issue that the report sought to address, and the workings of the model on which our conclusions are based. To rectify all his errors would be to presume on the patience of the journal's readers: here I confine myself to correcting his more egregious mistakes.

Sources of Misunderstanding and Misrepresentation

Bradley begins his critique by considering the often acrimonious reception that the G&B report received on its publication. It is ironic, given his own misunderstandings, that Bradley should attribute responsibility for what he views as the misunderstandings and misrepresentations of the G&B report to Graham Gudgin and me.¹ He argues that our failure to provide a definition of fair employment "may well have" given rise to many of the "misunderstandings and misrepresentations of the G&B findings" (p. 87: henceforth page references are to Bradley's article unless otherwise indicated). Later in his comment he claims that "the manner in which the conclusions have been

1. Apparently our culpability in this respect is shared with the unfortunate civil servant(s) who drafted the press release which accompanied the publication of the G&B report.

presented and interpreted by the authors is inadequate, and this has generated considerable misunderstanding" (p. 100).

In reply to these assertions one need only ask what evidence supports them — and, of course, Bradley has none. Similarly, his belief that the controversy surrounding the report is attributable to simple misunderstanding by "the wider public" is bereft of any empirical support. If empirical evidence does exist, Bradley should produce it. On the other hand, in so far as our work has been the subject of analysis and critique by other academics — notably Bob Rowthorn (1996) and Tony Murphy (1996) — it is clear that there has been no misunderstanding concerning the issues at stake. The only academic economist who has thus far seriously misunderstood these things is Bradley himself.

In passing it is worth noting that Bradley seems unaware of the similar controversy which surrounded the publication of Smith and Chambers's (1991) research in this area and that in both that debate and this the positions taken more often than not mirror the sectarian and ideological divisions within and outside Northern Ireland. Research into discrimination and fair employment will inevitably be controversial because, for very many people, these are contested topics with a symbolic importance which ensures that research and empirical evidence, far from leading people to question their views, will be rationalised in accordance with their pre-existing beliefs.

The Unemployment Differential and Fair Employment

At various points in his piece Bradley seeks to dispute that, within Northern Ireland, the ratio of Catholic:Protestant unemployment rates is believed to be linked to the presence or absence of fair employment in the labour market. He writes that Gudgin and Breen "do not produce any examples from the academic literature or the popular media where claims of an association between unemployment differentials and discrimination on the grounds of religion have been asserted" (p. 88, footnote 6). One is tempted to ask which island Bradley has been living on for the past decade. He might, for example, have consulted O'Leary and McGarry (1993) to see an academic example of the link he disputes.² The annual Northern Ireland Social Attitudes survey provides plentiful evidence that the general public considers that differential unemployment chances are the result of discrimination (Osborne, 1991). For example, in the 1995 survey, 46 per cent of Protestant respondents and 67 per cent of Catholics claimed that Protestants had a better chance of getting a job than Catholics and that this was due to the fact that employers discriminate.

2. "Ethnic inequalities in employment and unemployment in Northern Ireland are rooted in past and present discrimination" (O'Leary and McGarry, 1993, p. 262).

The link has also been made in discussions of policy. In their review of the 1976 Fair Employment Act, the Standing Advisory Commission on Human Rights recommended that a target should be established to assess the effectiveness of the new Act, and that this target should be

a reduction in differential between the male Catholic unemployment rate and the male Protestant unemployment rate from two and a half times to one and a half times within five years ... The Commission knows of no evidence which demonstrates that this is an impossible goal to achieve (SACHR, 1987, p. 42)

It is surprising that Bradley should be unaware of this, since we quote the passage on page two of our report.

This also explains another part of our report with which Bradley evidently has some difficulty. The offending quotation is "If it is the case that there is little systematic discrimination in Northern Ireland, then any Act aimed at reducing the unemployment ratio by combating systematic discrimination is unlikely to succeed unless it was unintentionally to introduce an element of discrimination against Protestants into the labour market" (G&B, pp. 42-43). Bradley suggests that "if G&B have positive evidence that the existing Fair Employment legislation was ever mistakenly formulated with the sole aim of removing the inherited structural disadvantage of Catholics, then they should have produced it" (p. 99).

But Bradley is here doubly confused. First, as is clear from the quotation ("to succeed" rather than "has succeeded") we are referring not to existing FE legislation but to amendments that might be made to the 1989 Act (recall that the G&B piece was commissioned as part of the review of Fair Employment legislation) and, in particular, to the possibility that the ratio of unemployment rates might come to be used as a yardstick in the fashion envisaged by SACHR during the previous review. Second, the quotation, contrary to what Bradley seems to believe, makes no mention of "the inherited structural disadvantage of Catholics". Rather than the onus being on us to produce evidence for something we did not say it lies with Bradley to explain why he attributes to us the belief that FE legislation was formulated with the "sole aim" of removing Catholic structural disadvantage. This view is clearly mistaken and, to the best of my knowledge, is held by no-one in this debate and certainly not by us.

Ratio of Unemployment Rates

The debate between G&B and Murphy (1996) centres on the importance of structural factors *vis-à-vis* what Murphy labels "the religion effect" (which includes the chill factor and indirect and direct discrimination by employers).

G&B argue that once the dynamic features of their model are taken into account this residual religion effect³ becomes insignificant as an explanation of differences in unemployment rates. This issue is, quite correctly, the source of the controversy that surrounded the G&B report. Unfortunately it is one which has eluded Bradley. So, when he writes

Thus, even before G&B present their statistical modelling ... there might be strong reasons to doubt ... that a policy based purely on 'hiring and firing' would by itself be sufficient to remove a pre-existing high Catholic-Protestant differential unemployment ratio, if the causes of that differential lay in the supply side labour market characteristics of Catholics *vis-à-vis* Protestants (p. 90)

he misses the point, since the question at issue is precisely the extent to which the differential can be attributed to such characteristics. To the extent that it cannot then this would lead to the possibility that a policy based on fair hiring and firing could indeed reduce the unemployment rate ratio (as seems to have been envisaged by SACHR, for example). Earlier studies by Smith and Chambers (1991) and Murphy and Armstrong (1995) which found a large residual religion effect would support the belief that such a possibility exists. And when Bradley asserts that our model shows that

Fair Employment legislation, as presently formulated in terms of fair 'hiring and firing' has not been able, in isolation, to remove Catholic disadvantage in the Northern Ireland labour market. I find it hard to believe that any serious researcher would ever have thought otherwise (p. 98)

he does no more than betray his lack of knowledge of the empirical literature and the shortcomings of his imagination. And, again, when he writes that

the G&B model shows ... that ... structural disadvantage ... cannot be eliminated by fair 'hiring and firing' legislation in isolation (p. 98)

his own confusions are simply muddying the water. The point at issue is not whether fair hiring and firing can eliminate structural disadvantage: it cannot and Fair Employment legislation does not seek to do so. It is, rather (and at risk of labouring the point), whether *any* part of the Protestant: Catholic unemployment ratio differential can be reduced by such legislation. All writers on the topic have hitherto been agreed that, to the extent that this can be done, it will be because some part of the differential arises from factors that are not structural.

3. It is a residual effect because it has been identified in cross-sectional studies as that part of the difference in Protestant:Catholic unemployment rates that cannot be accounted for by the so-called structural factors.

The Importance of Structural Factors

In Sections III and IV of his critique Bradley turns to some of the details of the G&B model. He pays lengthy attention to the specification of the migration equation, which has already been the object of a great deal of debate. Apart from our discussion in the text of our paper, we devoted an appendix to it, Murphy (1996) criticised it at length, and G&B, in their reply, responded in kind. All this when "nothing of importance really hangs on this issue, and the form of the migration equation in the GB model is not the really crucial element generating their results" (Rowthorn, 1996, p. 78).

Bradley's review of the model contains a plethora of other criticisms, most of which are trivial and many of which are mentioned only in passing and several are incorrect (e.g., his misunderstanding of the role of the Catholic disadvantage parameter, δ). But, rather than seeking to deal with all these, it is perhaps more useful to turn to the conclusions which Bradley himself draws from the model. And here is a considerable surprise:

almost *all* of the differential Catholic-Protestant unemployment ratio can be accounted for by structural disadvantage. Thus the issue of illegal discrimination can be removed from the picture (p. 98: Bradley's italics).

And, Bradley concludes, our claim that the ratio of unemployment rates is not a valid or reliable indicator of fair employment is correct (albeit in "a narrow and legalistic sense", p. 99). Thus, on the issue which has divided debate until now, Bradley places himself firmly on the side of G&B and in opposition to Smith and Chambers and Murphy and those (such as O'Leary and McGarry, 1993) who draw on their findings.

Given this result one might then reasonably ask: why all the fuss? If Bradley accepts our chief conclusion why bother to pen a critique, particularly when his grasp of the issues is evidently so tenuous? There seem to be two reasons. The first has been dealt with already, namely Bradley's desire to explain why the G&B report generated such a deal of controversy. Why an economist should wish to venture so far from his area of expertise and to such little effect must remain an open question. The second reason, however, concerns the exogeneity of the structural effects in the G&B model. Bradley argues that differences between Catholics and Protestants in their distributions on the structural variables (such as age, geographical location, occupation and so forth) are themselves endogenous with respect to what the G&B model is using them to explain.

But, once again, Bradley is mistaken. G&B were seeking to explain the persistence of the ratio of unemployment rates at a roughly constant value in the 1971-91 period. Since, as Bradley says, the structural disadvantages of

Catholics had their roots in events that, by and large, occurred in the period prior to the one which G&B are dealing with, it is quite legitimate for us to have treated them as being, in Bradley's phrase "truly exogenous" in our analysis. It is difficult, to say the least, to understand how Bradley can think that something that occurs prior to something else can be considered to be endogenous with respect to it. On the other hand to the extent that Bradley is calling for research into the origins of these structural differences then one can only agree.⁴ But to criticise the absence of this from the G&B analysis is the tactic of one who, finding himself bereft of telling criticisms of what is in a text, chooses instead to criticise it for its failure to do what it never sought to.

Lastly, Bradley's argument that the major problem in this area is long-term unemployment is one that it would be difficult to argue against and indeed, the G&B report concludes by suggesting a policy that might be pursued to address this problem (in contrast to Bradley's unspecific statements of good intent).⁵

Conclusion

It is difficult to see what Bradley's critique accomplishes other than to throw mud into what are already clouded waters. To the extent that the points he makes are correct — such as the need to understand the roots of Catholic disadvantage — they are well known. When he ventures beyond this into analyses of why the G&B report proved so controversial he is out of his depth, making assertions without any supporting evidence. And even in those areas in which one might expect him to display some expertise — namely his understanding of the technicalities of the G&B model and of the salient issues in the debate over discrimination — he misses the point with a consistency that is as remarkable as it is dismaying.

4. Though his assertion that "there has been considerable historical analysis of the labour market difficulties experienced by the Catholic community prior to 1970" is a huge exaggeration. He himself cites only one reference to this — though he does cite it twice. What is striking is precisely how little research exists into this question and how few analyses of employment discrimination, particularly in the private sector, exist (as Bradley would have discovered had he read the seminal paper by White, 1983).

5. Though Bradley criticises us for not devoting more attention to this topic which he calls "the core conclusion of our report" (p. 101, fn. 15). This is a sleight of hand which allows Bradley to criticise us for not doing what he thinks we should have done rather than what we set out to do.

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